

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 05383 111416Z

50

ACTION ARA-10

INFO OCT-01 ISO-00 USIE-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 SSO-00 INRE-00 ARAE-00

/047 W

----- 026873

O 111333Z AUG 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 2222

LIMITED OFFICIAL USE BUENOS AIRES 5383

E.O. 11652: N/A

TAGS: BBAK, EIND, EGEN, AR

SUBJECT: FORD, ARGENTINA SHUTDOWN UNDER CONSIDERATION

1. FORD MOTOR COMPANY'S VICE PRESIDENT IN CHARGE OF LATIN AMERICAN AFFAIRS, MOLINA, AND COMMERCIAL DIRECTOR, FOLEY, HAVE BEEN IN BUENOS AIRES PAST WEEK TO REVIEW OPERATIONS AND RECOMMEND TO DETROIT WHETHER TO TEMPORARILY SHUT DOWN MAJOR PORTION OF OPERATIONS HERE. ACCORDING TO MOLINA, FORD IN PAST MONTHS HAD BEEN SELLING 250-275 UNITS IN THE COUNTRY PER DAY AND RATE HAD NOW DROPPED TO 20. FROM ANOTHER RELIABLE SOURCE WE HAVE IT THAT FORD SALES AVERAGED 3,765 UNITS PER MONTH DURING JANUARY-JUNE, 1975 AND DROPPED 73 PERCENT TO 1,112 UNITS IN JULY. FORD HAS ABOUT 3,000 UNITS UNSOLD IN THE HANDS OF DEALERS AND ANOTHER 3,000 IN ITS OWN YARDS.

2. ACCOMPANYING THE COLLAPSE IN SALES, A CRITICAL CASH SHORTAGE FACES THE COMPANY, AS WELL AS ITS CREDITORS. FORD LACKS CASH TO PAY ITS DEALERS AND SUPPLIERS AND IN TURN IS NOT RECEIVING PAYMENT FROM FIRMS SUCH AS FIAT TO WHICH IT SUPPLIES COMPONENTS. MOLINA SAID THAT FORD'S BOARD OF DIRECTORS AND MR. FORD, HIMSELF, HAVE DECIDED THAT THEY WILL PROVIDE NO FURTHER FINANCING TO THE ARGENTINE PLANT. AS A RESULT, FORD OF

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 05383 111416Z

ARGENTINA IS CONSIDERING A SHUTDOWN OF THEIR MAJOR PLANT AT

PACHECO NEAR BUENOS AIRES FOR 30 DAYS. THIS WOULD MEAN THAT APPROXIMATELY 3,000 WORKERS WOULD BE FURLOUGHED DURING THAT PERIOD. IN ADDITION, FORD WOULD REDUCE OPERATIONS AT TRANSAX AND METCOM IN CORDOBA TO TWO DAYS. AN ADDITIONAL NUMBER OF WORKERS IN THAT AREA WOULD EITHER BE FURLOUGHED OR PUT ON PART-TIME.

3. DURING THE WEEK THEY HAVE INFORMED MAJOR UNIONS, INCLUDING SMATA, THE METALWORKERS UNION, OF THEIR PLANS AND HAVE DISCUSSED THEM WITH THE MINISTER OF INTERIOR, BENITEZ, SECRETARY OF INDUSTRIAL DEVELOPMENT VASALLO, AND ECONOMY MINISTER, BONANNI. BONANNI'S ATTITUDE WAS THAT FORD COULD NOT AND SHOULD NOT SHUT DOWN ITS PLANT. AFTER EXPLAINING THE SITUATION IN DETAIL TO HIM, THE FORD REPS INFORMED HIM THAT IN ORDER TO CONTINUE OPERATIONS AT NORMAL LEVEL THEY WOULD NEED A CREDIT OF \$10 MILLION FROM LOCAL SOURCES (NOT FROM DETROIT) AND A RATE OF EXCHANGE WHICH WOULD PERMIT THEM TO EXPORT AT A PROFIT. THIS, MOLINA SAID, WOULD BE APPROXIMATELY 45 PESOS PER DOLLAR. (BONANNI ASKED MOLINA TO DELAY ANY FIRM DECISION FOR A SHORT PERIOD SO THAT FORD'S PROBLEM COULD RECEIVE FULL CONSIDERATION.)

4. EVENING OF AUG. 7, FORD REPS MET WITH MINISTER OF LABOR, CONDITI, AND DISCUSSED PLANS WITH HIM. RESULT WAS REQUEST BY CONDITI THAT FORD POSTPONE DECISION UNTIL CONDITI HAS CHANCE TO MEET WITH RODRIGUES, CHIEF OF SMATA AND OTHER UNION REPS TO TALK OVER FORD'S SITUATION WITH THEM. AS OF AUGUST 8, FORD HAS MADE NO DECISION AND IS WAITING TO HEAR FROM CONDITI WHICH MAY NOT BE UNTIL NEXT WEEK. BY NEXT WEEK MOLINA ALSO EXPECTS TO HEAR FROM MINISTER BONANNI WHETHER GOA WILLING PROVIDE LOCAL CREDITS OR TAKE OTHER STEPS TO KEEP FORD GOING WITHOUT LAYOFFS OR FURLOUGHS. FOLEY WILL KEEP EMBASSY INFORMED OF DEVELOPMENTS.

5. COMMENT: MOLINA WAS FULLY AWARE OF REPERCUSSIONS IF FORD SHUTS DOWN, EVEN TEMPORARILY. NOT ONLY COULD STRONG REACTIONS FROM GOA AND LABOR BE EXPECTED, BUT OTHER FIRMS, AS AMBASSADOR POINTED OUT, MIGHT FOLLOW FORD'S LEAD RESULTING IN FURTHER UNEMPLOYMENT IN THIS KEY INDUSTRY. MOLINA AGREED THAT SHUTDOWN COULD SEVERELY DAMAGE FORD'S FURTHER LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUENOS 05383 111416Z

POSITION IN THIS COUNTRY, ESPECIALLY IF FIRM SHOULD BE INTERVENED BY GOVERNMENT. NEVERTHELESS, THE COMPANY FELT IT SIMPLY COULD NOT CONTINUE THE WAY IT HAS AND THAT IT MUST PERSUADE THE GOA TO TAKE STEPS TO SUPPORT THE INDUSTRY.  
HILL

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CLOSURE OF OFFICES, INDUSTRIAL PLANTS, AUTOMOBILES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BUENOS05383  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750276-0891  
**From:** BUENOS AIRES  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750862/aaaaccct.tel  
**Line Count:** 112  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 SEP 2003 by WorrelSW>; APPROVED <17 DEC 2003 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FORD, ARGENTINA SHUTDOWN UNDER CONSIDERATION  
**TAGS:** BBAK, EIND, EGEN, AR, FORD MOTOR CO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006